Mahindra MUTUAL FUND

MAHINDRA ASSET MANAGEMENT COMPANY PRIVATE LIMITED
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NOTICE - CUM – ADDENDUM NO. 33/2017

NOTICE - CUM – ADDENDUM TO SCHEME INFORMATION DOCUMENT (SID) AND KEY INFORMATION MEMORANDUM (KIM) OF MAHINDRA MUTUAL FUND ALP-SAMAY BACHAT YOJANA, AN OPEN ENDED DEBT SCHEME OF MAHINDRA MUTUAL FUND

Notice is hereby given to the unitholders of Mahindra Mutual Fund Alp-Samay Bachat Yojana, an open ended debt scheme ("the Scheme") that the Board of Directors of Mahindra Asset Management Company Private Limited ("MAMCPL") and Mahindra Trustee Company Private Limited, Trustee to Mahindra Mutual Fund ("the Fund") have approved following changes to the key provisions of the Scheme:

Sr. No	Particulars	Existing Provisions	Revised Provisions
1.	Name of the Scheme	Mahindra Mutual Fund Alp-Samay Bachat Yojana	Mahindra Low Duration Bachat Yojana
2.	Type of the Scheme	An Open Ended Debt Scheme	An open ended low duration debt scheme investing in instruments such that the Macaulay duration of the Portfolio is between 6 months and 12 months ***(Please refer to page no. xx*)*** **reference of page number of the Scheme Information Document on which the concept of Macaulay's Duration is explained, will be provided in the blank space, at the time of updation of SID after completion of duration of the exit option.*

3. How will the scheme allocate its assets? #

Existing Provisions

Under normal circumstances the asset allocation pattern will be:

Instruments	Indicative Allocation (% of assets)	
	Minimum	Maximum
Money Market & Debt instruments with maturity/ residual maturity less than or equal to 1 year	70%	100%
Debt instruments* with maturity / residual maturity greater than 1 year and units of mutual fund schemes.	0%	30%

*Includes securitized debt up to 30% of the net assets of the Scheme.

Investment in Derivatives – up to 50% of the net assets of the Scheme. Investment in derivatives shall be for hedging, portfolio balancing and such other purposes as maybe permitted from time to time.

The weighted average maturity of the Scheme will be between 3 months and 1 year.

Pursuant to SEBI circular No. SEBI/HO/IMD/DF2/CIR/P/2016/42 dated March 18, 2016, the Scheme may deploy NFO proceeds in Collateralized Borrowing and Lending Obligations (CBLO) before the closure of NFO period. However, the AMC shall not charge any investment management and advisory fees on funds deployed in CBLOs during the NFO period.

Revised Provisions

Under normal circumstances the asset allocation pattern will be:

Instruments	Indicative Allocation (% of assets)	
	Minimum	Maximum
Money Market & Debt instruments*	0%	100%
Units issued by REITs & InvITs	0%	10%

*Includes securitized debt up to 30% of the net assets of the Scheme.

Investment in Derivatives – up to 50% of the net assets of the Scheme. Investment in derivatives shall be for hedging, portfolio balancing and such other purposes as maybe permitted from time to time.

The Macaulay Duration of the portfolio of the Scheme will be between 6 months and 12 months. For the concept of Macaulay Duration please refer section 'What are the Investment Strategies?'

4. What are the Investment Strategies? #

Existing Provisions: –

Revised Provisions

Following shall be added under the section 'What are the Investment Strategies?':

Concept of Macaulay Duration

Macaulay duration measures the average time that would be taken to receive the cash flows from the invested instrument. It is the weighted average term to maturity of the cash flows from an instrument. The weight of each cash flow is determined by dividing the present value of the cash flow by the price. Macaulay duration is a measure of interest rate sensitivity of a fixed income instrument. Higher the Macaulay duration, higher would be the interest rate risk.

Macaulay duration of a portfolio is the asset weighted average of the Macaulay duration of individual bonds / securities in the portfolio. The table below illustrates the calculation of portfolio Macaulay duration.

Portfolio	Amount (crores)	% of portfolio (A)	Macaulay Duration (B)	Weighted Average (C) =(A*B)
Instrument 1	10	33.33%	2	0.67
Instrument 2	10	33.33%	3	1.00
Instrument 3	10	33.33%	4	1.33
Total	**30**	**100%**	**Portfolio Macaulay Duration**	**3#**

#Sum of column C

Macaulay Duration - Calculation

$$\text{Macaulay Duration} = \frac{\sum_{t=1}^{n} \frac{t * C}{(1+y)^t} + \frac{n * M}{(1+y)^n}}{\text{Current Bond Price}}$$

Where:

- t = respective time period
- C = periodic coupon payment
- y = periodic yield
- n = total number of periods
- M = maturity value
- Current Bond Price = Present value of cash flows

Key Assumptions

1. Macaulay Duration measures interest rate risk accurately only for instruments where cash flows do not change with change in the yield (i.e. for plain vanilla instruments and not for instruments with embedded options).
2. Macaulay Duration assumes yield curve is flat and so cash flows are reinvested at constant YTM rate over the instrument's period.
3. Macaulay Duration does not consider the fact that duration does not remain constant and duration changes with level of YTM rates.

Example Calculation

Assume a bond paying 10% coupon, matures in three years. Yield to maturity is at 10%. The bond pays coupon annually, and pays the principal on the final payment. Given this, the following cash flows are expected over the next three years:

Period	Cash flow
Year 1	Rs.100
Year 2	Rs.100
Year 3	Rs.1100

With the periods and the cash flows known, a discount factor must be calculated for each period. This is calculated as 1 / (1 + r)^n, where r is the interest rate and n is the period number in question. Thus the discount factors would be:

Period	Discount Factor Formula	Results
Year 1	$1 / (1 + 10\%)^1$	0.909
Year 2	$1 / (1 + 10\%)^2$	0.826
Year 3	$1 / (1 + 10\%)^3$	0.751

Next, multiply the period's cash flow by the period number and by its corresponding discount factor to find the present value of the cash flow:

Period	Weighted Present Value of Cash flow	Results
Year 1	1 * Rs.100 * 0.909	90.9
Year 2	2 * Rs.100 * 0.826	165.3
Year 3	3 * Rs.1100 * 0.751	2479.3
Sum		**2735.5 (numerator)**

Sum of PV Cash Flows = $100/(1 + 10\%)^1 + 100/(1 + 10\%)^2 + 1100/(1 + 10\%)^3$ = Rs.1000 **(denominator)**

Macaulay duration = Rs.2735.5 / Rs.1000 = 2.74

5. Scheme Specific Risk Factors#

Existing Provisions: –

Revised Provisions

Following shall be added under the section 'Scheme Specific Risk Factors':

Risks associated with Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT)

1. **Risk of lower than expected distributions:** The distributions by the REIT or InvIT will be based on the net cash flows available for distribution. The amount of cash available for distribution principally depends upon the amount of cash that the REIT/INVIT receives as dividends or the interest and principal payments from portfolio assets. The cash flows generated by portfolio assets from operations may fluctuate based on, among other things:
   - success and economic viability of tenants and off-takers
   - economic cycles and risks inherent in the business which may negatively impact
   - valuations, returns and profitability of portfolio assets
   - force majeure events related such as earthquakes, floods etc. rendering the portfolio assets inoperable
   - debt service requirements and other liabilities of the portfolio assets
   - fluctuations in the working capital needs of the portfolio assets
   - ability of portfolio assets to borrow funds and access capital markets
   - changes in applicable laws and regulations, which may restrict the payment of dividends by portfolio assets
   - amount and timing of capital expenditures on portfolio assets
   - insurance policies may not provide adequate protection against various risks associated with operations of the REIT/InvIT such as fire, natural disasters, accidents.
   - taxation and other regulatory factors
2. **Price-Risk:** The valuation of the REIT/InvIT units may fluctuate based on economic conditions, fluctuations in markets (eg. real estate) in which the REIT/InvIT operates and the resulting impact on the value of the portfolio of assets, regulatory changes, force majeure events etc. REITs & InvITs may have volatile cash flows. As an indirect shareholder of portfolio assets, unit holders rights are subordinated to the rights of creditors, debt holders and other parties specified under Indian law in the event of insolvency or liquidation of any of the portfolio assets.
3. **Interest-Rate Risk:** Generally, there would be inverse relationship between the interest rates and the price of units i.e. when interest rates rise, prices of units fall and when interest rates drop, such prices increase.
4. **Liquidity Risk:** This refers to the ease with which REIT/InvIT units can be sold. There is no assurance that an active secondary market will develop or be maintained. Hence there would be time when trading in the units could be infrequent. The subsequent valuation of illiquid units may reflect a discount from the market price of comparable securities for which a liquid market exists.

6. Definitions#

Existing Provisions: –

Revised Provisions

Following shall be added under the section 'Definitions':

"InvIT" or "Infrastructure Investment Trust" - "InvIT" or "Infrastructure Investment Trust" shall mean trust registered as such under SEBI (Infrastructure Investment Trusts) Regulations, 2014.

"REIT" or "Real Estate Investment Trust" – "REIT" or "Real Estate Investment Trust" shall mean a trust as such registered under SEBI (Real Estate Investment Trusts) Regulations, 2014.

7. Where will the Scheme invest?#

Existing Provisions: –

Revised Provisions

Following shall be added under the section 'Where will the Scheme Invest?':

Investment in Units issued by REITs & InvITs - The Scheme may invest in the units issued by REITs & InvITs subject to requirements specified under SEBI (MF) Regulations.

8. What are the investment restrictions?#

Existing Provisions: –

Revised Provisions

Following shall be added under the section 'What are the investment restrictions?':

1. The Mutual Fund under all its schemes shall not invest more than 10% of units issued by a single issuer of REITs and InvITs.
2. The Scheme shall not invest:
   - more than 10% of its NAV in the units of REITs and InvITs; and
   - more than 5% of its NAV in the units of REITs and InvITs issued by a single issuer

#All other terms and conditions under these sections in the existing SID of the Scheme which are not mentioned herein will remain unchanged.

Securities and Exchange Board of India has vide its letter no. IMD/DF3/OW/P/2017/32070/1 dated December 18, 2017 conveyed it's no objection to the aforesaid changes in fundamental attributes of the Scheme.

Revision to the features of the Scheme as indicated above will be applicable to all the relevant sections of the Scheme Information Document and Key Information Memorandum of the Scheme and the respective sections shall stand modified accordingly. Unitholders may note that other than those set forth above, the remaining features, terms and conditions of the Scheme shall continue to remain unchanged.

Since some of these changes would result in change in fundamental attributes of the Scheme, a separate communication in this regard is being sent to the existing unitholders of the Scheme, as required by Regulation 18(15A) of the SEBI (Mutual Funds) Regulations, 1996. In case the communication is not received by existing unitholders, they are advised to contact any of the Investor Service Centers of the Fund.

Existing unitholders (i.e. unitholders of the Scheme as per the records of our Registrar & Transfer Agent as at the close of business hours on **December 22, 2017**) who are not in agreement with the aforesaid changes may opt to redeem their units or switch to other available / eligible schemes of the Fund at the prevailing Net Asset Value (NAV) without payment of exit load between **December 29, 2017** and **January 29, 2018** (both days inclusive and upto 3.00 p.m. on **January 29, 2018**) ("the Notice Period"). The NAV applicable, should the unitholders choose to exit / redeem / switch during the Notice Period, would be based on the date/time of receipt of the application for exit / redemption / switch-out during business hours on a business day. It may however be noted that all such requests for exit option received after cut-off time on **January 29, 2018**, shall be subject to the applicable exit load, in terms of the relevant details, as specified in the SID / KIM of the Scheme. Redemption / switch-out requests, if any, may be lodged at any of the Official Points of Acceptance of the Fund. The redemption proceeds shall be dispatched within 10 business days from the date of acceptance of redemption request.

Unitholders may note that no action is required in case they are in agreement with the aforesaid changes, which shall be deemed as acceptance of these changes. This offer to exit is merely an option and not mandatory. Unitholders who have pledged or encumbered their units will not have the option to exit unless they procure an effective release of their pledges / encumbrances prior to the submission of redemption/switch requests.

Unitholders are requested to ensure that any change in address or bank mandate is updated in the Fund's records before exercising the exit option (Unitholders holding units in dematerialized form may approach their Depository Participant for such changes). Redemption/switch-out by the unitholders due to change in the fundamental attributes of the Scheme or due to any other reasons may entail tax consequences. In view of the individual nature of tax consequences, unitholders are advised to consult their professional tax advisors in the above regard.

The revision in the features of the Scheme, as detailed herein shall be effective from **January 30, 2018** [i.e. the business day immediately following January 29, 2018 (i.e. last day of the Notice Period)].

For any clarifications, please do contact us on our toll free number 18004196244 or speak to any of our Customer Service representatives. Alternatively, you can also email us at mfinvestors@mahindra.com.

Place: Mumbai
Date: December 22, 2017

For Mahindra Asset Management Company Private Limited
Sd/-
Authorised Signatory

CNo.00273